

Annual Management Report of Fund Performance

BMO Harris U.S. Special Equity Portfolio

For the period ended December 31, 2014

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Portfolio. If the annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-361-1392, by e-mailing us at contact.centre@bmo.com, by writing to us at BMO Private Investment Counsel Inc. (formerly BMO Harris Investment Management Inc.), 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at www.bmoprivatebanking.com or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the Portfolio's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Management Discussion of Fund Performance

BMO Harris Investment Management Inc. ("BHIMI" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Harris Private Portfolios and has engaged BMO Asset Management Corp. ("BMO AM Corp." or the "sub-advisor") as the sub-advisor of BMO Harris U.S. Special Equity Portfolio (the "Portfolio").

Investment Objective and Strategies

The Portfolio's investment objective is to achieve long term growth through capital appreciation by primarily investing in equity securities of small and mid-capitalization U.S. companies.

To achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection, quantitative and traditional fundamental analyses, analysis of the financial results, financial condition and potential future growth of the company, and seeks to identify companies showing improvement in the growth rates of one or more fundamental metrics, such as revenue, earnings or margins.

Risk

No significant changes affecting the overall level of risk associated with investing in the Portfolio were made during the period. The risks of this Portfolio remain as discussed in the Portfolio's most recently filed simplified prospectus or its amendments.

Results of Operations

Over the 12-month period ended December 31, 2014, the Portfolio returned 9.19% in C\$ (-0.28% in US\$), after expenses. The Portfolio's benchmark is the Russell 2000 Growth Index, which generated a 15.19% total return in C\$ (5.60% in US\$) over the same 12-month period.

U.S. gross domestic product growth was positive in 2014 and superior to that of other developed nations, which led to increased investor interest in U.S. equities. Large-capitalization securities outperformed small-capitalization securities over the period. The U.S. Federal Reserve Board tapered and ultimately ended its quantitative easing program of asset purchases during the year. The U.S. dollar was strong, but most commodities, notably oil, experienced sharp price declines late in the year.

The Portfolio underperformed the benchmark over the period. Stock selection within the Information Technology and Energy sectors detracted from the Portfolio's performance over the period. The Portfolio's overweight exposure to the Energy sector also detracted from performance. Significant individual detractors from the Portfolio's performance included exploration and production-related companies such as Approach Resources Inc. and Bellatrix Exploration Ltd. Rocket Fuel Inc., a digital marketing company whose revenues slowed more rapidly than the sub-advisor expected, also detracted from the Portfolio's performance.

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Stock selection within the Health Care and Consumer Discretionary sectors contributed to the Portfolio's performance over the period, as did its underweight exposure to the Materials sector. Significant individual contributors to the Portfolio's performance included AMAG Pharmaceuticals, Inc., New Media Investment Group Inc. and Unit Corporation. AMAG Pharmaceuticals, Inc. benefited from the highly accretive acquisition of Lumara Health Inc. New Media Investment Group Inc. was spun off in January 2014 from another holding, Newcastle Investment Corp., and its local newspaper strategy fuelled growth in earnings before interest, taxes, depreciation, and amortization (EBITDA). Unit Corporation was sold in April as it approached the sub-advisor's estimate of fair value, and the timing of the sale proved to be fortuitous, given the subsequent decline of most Energy stocks.

During the period, the sub-advisor initiated positions in New Media Investment Group Inc., AMAG Pharmaceuticals, Inc., Red Robin Gourmet Burgers, Inc., Restoration Hardware Holdings, Inc. and Francesca's Holdings Corporation. The sub-advisor increased the Portfolio's positions in New Senior Investment Group Inc. and GAIN Capital Holdings, Inc. The sub-advisor eliminated the Portfolio's positions in Approach Resources Inc., Unit Corporation, Rocket Fuel Inc., Brightcove Inc., Jazz Pharmaceuticals Plc, United Rentals, Inc. and TearLab Corporation. The sub-advisor decreased the Portfolio's positions in The Hain Celestial Group, Inc. and PICO Holdings, Inc.

For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

The sub-advisor believes that the U.S. economy will continue its expansion during 2015 and has therefore maintained the Portfolio's positioning in companies and sectors historically viewed as more cyclical. The sub-advisor expects that interest rates are likely to remain low, given generally weak global growth. Less monetary policy intervention from central banks is expected, and the sub-advisor believes that company fundamentals will likely drive stock price returns more than macroeconomic or geopolitical events. This change should be beneficial to the Portfolio's performance.

Lower energy prices, if sustained, should act as a catalyst for consumer spending during 2015, especially for lower- to middle-class consumers. The Portfolio maintains exposure to consumer-related stocks, such as homebuilders, which should benefit from improving employment data, wage growth and attractive mortgage interest rates in the U.S.

Name Changes

Effective February 2, 2015, BMO Harris Investment Management Inc. is named BMO Private Investment Counsel Inc., and BMO Harris Private Banking is named BMO Private Banking. Effective February 2, 2015, the Portfolio is named BMO Private U.S. Special Equity Portfolio. These name changes are the result of a rebranding initiative by BMO Financial Group.

Significant Accounting Changes

Resulting from our Adoption of IFRS

Effective January 1, 2014, the Portfolio adopted International Financial Reporting Standards ("IFRS") as its basis of accounting. The annual financial statements for the year ended December 31, 2014 are the first set of annual financial statements prepared on an IFRS basis. The adjustments made to reflect the impact of the change from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS are presented in note 8 to the financial statements.

Key changes to the financial statements as a result of the implementation of IFRS are:

- Statement of Financial Position replaced the former Statement of Net Assets:
 - The Portfolio's unitholders investments in the units of the Portfolio did not qualify for equity classification under IFRS and have been classified as a financial liability for financial reporting purposes.
 - Classification of financial instruments: derivatives and short positions have been classified as held for trading while all other financial instruments have been designated as fair valued through profit and loss. Following adoption of IFRS by the Portfolio for financial reporting purposes the Portfolio now fair values its investment securities traded on an exchange at close price, which is determined as the price within the bid ask range that represents the best estimate of fair value.

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- Statement of Comprehensive Income replaced Statement of Operations:
 - The Portfolio accounts for interest income using the effective interest rate method, rather than the coupon method previously used under Canadian GAAP.
- Statement of Changes in Net Assets Attributable to Holders of Redeemable Units replaced the Statement of Changes in Net Assets and the Portfolio now presents a Statement of Cash Flows.
- Other notable changes to the financial statement notes include additional or enhanced information in the notes to the financial statements including a more detailed note and reconciliation on the Portfolio's transition from Canadian GAAP to IFRS.

Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal, is the trustee (the "trustee") and BHIMI is the manager of the Portfolio. From time to time, BHIMI may, on behalf of the Portfolio, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio (each, a "related party" and collectively, the "related parties").

Sub-advisor

BHIMI has hired BMO AM Corp., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Corp. receives an investment advisory fee based on assets under management, which is paid quarterly. BMO AM Corp. is paid by BHIMI, and BHIMI charges a portion of the sub-advisory fee as an expense to the Portfolio.

Wealth Management Fee

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, and the Manager receive an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and

declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management. The actual wealth management fee payable by each investor is set out in BHIMI's *Investment Management Fee Schedule* that has been provided to the investor when the investor enters into an investment management agreement with the trustee and BHIMI. The wealth management fee is paid directly by the investor to the trustee and the Manager. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

Unitholder Services

The Portfolio is provided with certain facilities and services by related parties. BMO Asset Management Inc. ("BMO AM Inc.") is the registrar of the Portfolio. The trustee and BMO AM Inc. are paid by the Portfolio for fees relating to the custodial and administrative services they provide, respectively. Administrative services include fund accounting, record keeping and purchases/redemption order processing.

The fees charged to the Portfolio during the period were as follows:

	Period ended Dec. 31, 2014 (\$000s)	Period ended Dec. 31, 2013 (\$000s)
Unitholder Services	171	169

Management Fee

There is no management fee charged to the Portfolio. The trustee and the Manager receive an annual wealth management fee from investors for the wealth management service offered by BMO Financial Group.

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Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the periods indicated.

The Portfolio's Net Assets Per Unit ⁽¹⁾		Years ended December 31				
		2014	2013	2012	2011	2010
Net assets, beginning of period	\$	7.10	4.67	4.44	5.46	4.78
Increase (decrease) from operations:						
Total revenue	\$	0.07	0.03	0.13	0.12	0.10
Total expenses ⁽²⁾	\$	(0.11)	(0.08)	(0.07)	(0.06)	(0.06)
Realized gains (losses) for the period	\$	0.63	0.79	0.07	(0.09)	(0.02)
Unrealized gains (losses) for the period	\$	0.03	1.57	0.22	(0.89)	0.69
Total increase (decrease) from operations ⁽³⁾	\$	0.62	2.31	0.35	(0.92)	0.71
Distributions:						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.15	—	0.09	0.12	0.08
From capital gains	\$	—	—	—	—	—
Return of capital	\$	0.00	—	—	—	—
Total Annual Distributions ⁽⁴⁾	\$	0.15	—	0.09	0.12	0.08
Net assets, end of period	\$	7.60	7.10	4.67	4.44	5.46

⁽¹⁾ This information is derived from the Portfolio's audited annual financial statements. The financial information presented for the years ended December 31, 2014 and December 31, 2013 is derived from the financial statements determined in accordance with IFRS. Information for years prior to January 1, 2013 is derived from prior period financial statements prepared in accordance with Canadian GAAP. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Includes commissions and portfolio transaction costs. Prior to 2013, withholding taxes were not included in expenses as they were included in revenue.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽⁴⁾ Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data		Years ended December 31				
		2014	2013	2012	2011	2010
Total net asset value (000s) ⁽¹⁾	\$	197,017	165,458	30,749	29,201	38,417
Number of units outstanding (000s) ⁽¹⁾		25,940	23,291	6,575	6,573	7,030
Management expense ratio ⁽²⁾	%	0.64	0.81	1.04	0.76	0.70
Management expense ratio before waivers or management absorptions	%	0.81	0.97	1.06	0.76	0.70
Trading expense ratio ⁽³⁾	%	0.25	0.39	0.54	0.44	0.45
Portfolio turnover rate ⁽⁴⁾	%	76.58	92.65	195.27	99.55	97.54
Net asset value per unit	\$	7.60	7.10	4.68	4.44	5.46

⁽¹⁾ This information is provided as at December 31 of the period shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The portfolio turnover rate indicates how actively the Portfolio's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a portfolio.

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Past Performance

General

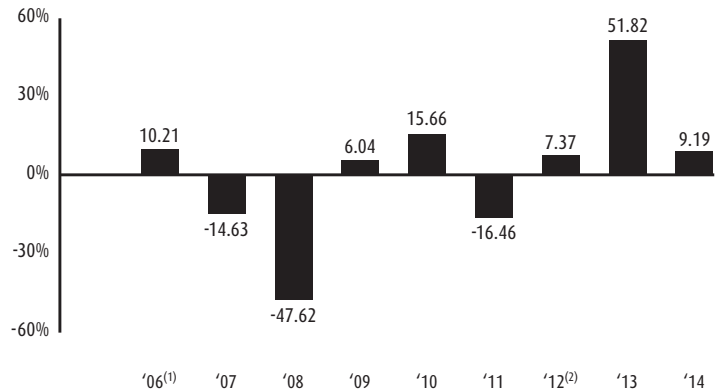
The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio.

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar charts show the performance for each of the financial years shown and illustrate how the performance has changed from year to year. The bar charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

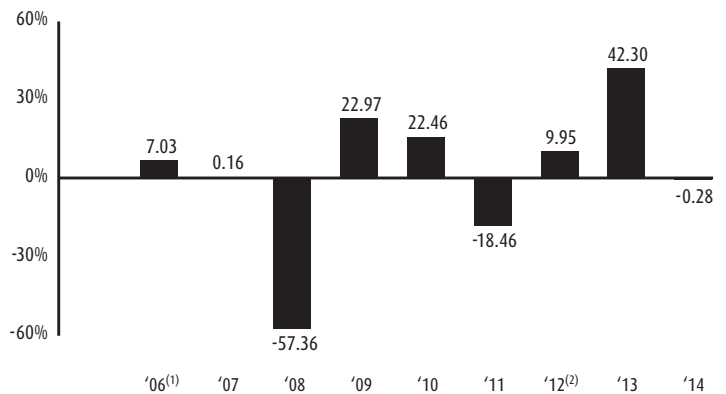
BMO Harris U.S. Special Equity Portfolio (C\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

⁽²⁾ On October 26, 2012, the Portfolio's investment objectives, investment strategies, sub-advisor and benchmark were changed.

BMO Harris U.S. Special Equity Portfolio (US\$)



⁽¹⁾ Return from November 1, 2006 to December 31, 2006.

⁽²⁾ On October 26, 2012, the Portfolio's investment objectives, investment strategies, sub-advisor and benchmark were changed.

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Annual Compound Returns

These charts compare the historical annual compound returns of the Portfolio with the Russell 2000 Growth Index, which measures the performance of the small-capitalization growth segment of the U.S. equity universe and includes those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values.

	1 yr	3 yrs	5 yrs	10 yrs	Since Inception [§]
	%	%	%	%	%
BMO Harris U.S. Special Equity Portfolio ^{††} (C\$)	9.19	21.19	11.45	n/a	(1.30)
Russell 2000 Growth Index* (C\$)	15.19	25.53	19.23	n/a	n/a

	1 yr	3 yrs	5 yrs	10 yrs	Since Inception [§]
	%	%	%	%	%
BMO Harris U.S. Special Equity Portfolio ^{††} (US\$)	(0.28)	15.98	9.27	n/a	(1.61)
Russell 2000 Growth Index* (US\$)	5.60	20.14	16.80	n/a	n/a

[†]The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

[§]The Portfolio commenced offering units by way of prospectus on November 1, 2006.

^{††}On October 26, 2012, the Portfolio's investment objectives, investment strategies, sub-advisor and benchmark were changed.

*The Portfolio's benchmark is the Russell 2000 Growth Index, and prior to October 1, 2012 it was the S&P Developed Ex-U.S. Small Cap Index.

A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.

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Summary of Investment Portfolio

as at December 31, 2014

Portfolio Allocation	% of Net Asset Value
United States	88.3
Canada	3.1
Cash/Receivables/Payables	3.0
Ireland	2.4
France	1.4
Monaco	1.0
Other	0.8
Total portfolio allocation	100.0

Sector Allocation

Health Care	25.0
Information Technology	21.2
Consumer Discretionary	16.2
Financials	12.9
Industrials	12.3
Energy	4.4
Telecommunication Services	4.3
Cash/Receivables/Payables	2.9
Other	0.8
Total sector allocation	100.0

Top 25 Holdings	% of Net Asset Value
Issuer	
inContact, Inc.	3.5
Acacia Research Corporation	3.2
Bellatrix Exploration Ltd.	3.1
Cash/Receivables/Payables	3.0
AMAG Pharmaceuticals, Inc.	2.7
TRI Pointe Homes, Inc.	2.7
New Senior Investment Group Inc.	2.7
PICO Holdings, Inc.	2.4
GAIN Capital Holdings, Inc.	2.0
William Lyon Homes, Class A	1.8
Acadia Healthcare Company, Inc.	1.7
Libbey Inc.	1.6
Cardtronics, Inc.	1.6
M/I Homes, Inc.	1.5
LaSalle Hotel Properties	1.5
Hexcel Corporation	1.5
Akorn, Inc.	1.5
NxStage Medical, Inc.	1.4
Criterion SA, ADR	1.4
MAXIMUS, Inc.	1.4
Horizon Pharma Plc	1.4
Summit Hotel Properties, Inc.	1.3
LogMein, Inc.	1.3
Actua Corp.	1.3
Krispy Kreme Doughnuts, Inc.	1.3
Top holdings as a percentage of total net asset value	48.8
Total Net Asset Value	\$197,017,384

The summary of investment portfolio may change due to the Portfolio's ongoing portfolio transactions. Updates are available quarterly.

Manager

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Trustee

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This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Portfolio may invest and the risks detailed from time to time in the simplified prospectus of the BMO Private Portfolios (formerly the BMO Harris Private Portfolios). We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Portfolio, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Private Investment Counsel Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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